



CBIZ/Benchmark

LETTER OF COMMENT NO. 9Q

RE: EITF0604 – Comment Regarding Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements

To Whom It May Concern:

This letter is in response to the request for comment on the Draft Abstract for EITF Issue No. 06-04, relating to split-dollar accounting.

The EITF proposes to require an accrual during an employee's service period for any post-retirement benefit promised under a split-dollar arrangement. Following are just a couple of reasons why this would be harmful to the community banks we service:

- The proposed change would require banks to lower retained earnings to account for the existing split-dollar arrangements. Lowering retained earnings could cause a bank to exceed concentration guidelines established by the regulatory agencies. Should surrender of policies become a reality, this would result in additional (and unnecessary) taxation to the bank.
- If the bank cannot afford to accrue for this benefit, the bank is put in the position of taking benefits away from the very employees they are trying to retain. This could result in the loss of key employees. It could also result in the employee not having any life insurance to leave for family members due to age or health problems. It is possible that this life insurance benefit is the only one the employee has in effect.

It is difficult to understand why the accounting for these benefits has become an issue now when bank's accounting firms all over the country have not expressed any concern. The benefit is paid from the insurance policy to the beneficiary(ies). If a policy does not exist or ceases to exist, then no benefit is due the beneficiary(ies). This question should be answered by the Task Force should the proposed changes be adopted.

Sincerely,

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